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IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1984

GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,
Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI
To the United States Court of Appeals for the Ninth Circuit

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QUESTIONS PRESENTED

1. Is it a violation of the Seventh Amendment to the United States Constitution for a federal court, using its legal conclusion of patent invalidity for obviousness in one count, to reexamine and overturn a jury's general verdict on a separate fraud count?

2. Is it a violation of the Seventh Amendment to the United States Constitution for a federal court to disregard sufficient and substantial evidence, to treat as merely advisory a properly instructed jury's finding of patent validity and its presumed findings for the patentee on all four of the factual tests established by this Supreme Court, and to enter JNOV based on a legal conclusion of obviousness?

3. Do the conflicts between the Courts of Appeals for the Ninth Circuit and for the Federal Circuit on the proper role of a jury in patent cases and on other critical

patent issues require resolution by the Supreme Court?

4. Does the decision below, in sanctioning (a) disregard of sufficient evidence for patentee on all of the four factual tests of nonobviousness created by this Court; (b) refusal of requested special jury findings on factual tests for obviousness of an invention; (c) dismissal of the jury's general verdict of validity and its presumed underlying factual findings as advisory; (d) entry of JNOV without consideration of the invention as claimed, in disregard of the presumption of validity and burden of proof, (e) and failure of the appeals court to independently review the issue of obviousness, so far depart from the accepted and usual course of judicial proceedings as to call for an exercise of the Supreme Court's power of supervision?

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Reasons for Granting the Writ

1. The Decision Below, By Permitting the Trial Judge to Reexamine the Fraud Facts Under Patent Law Standards Rather Than According to the Rules of Common Law, Raises Significant and Recurring Problems Concerning the Right to a Jury Trial in a Suit For Damages For Common Law Fraud, Which Suit Also Involves Separate Patent Counts 11

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IN THE
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GARTER-BARE COMPANY, a limited partnership, and KNUT L. BJORN-LARSEN,

Petitioners,

vs.

MUNSINGWEAR, INC., a Corporation,

Defendant and Respondent.

PETITION FOR A WRIT OF CERTIORARI to the United States Court of Appeals for the Ninth Circuit

The Petitioners, GARTER-BARE COMPANY ("Garter-Bare") and KNUT L. BJORN-LARSEN ("Larsen"), plaintiffs and appellants below, respectfully pray that a writ of certiorari issue to review the opinion and judgment of the United States Court of Appeals for the Ninth Circuit rendered in these proceedings on May 1, 1984.

OPINIONS BELOW

The opinion of the Court of Appeals,

reported in 723 F.2d 707, appears at App. A-1 to A-15, inclusive, infra; the rulings of the Court of Appeals on the Petitioners' petition for rehearing and on the Respondent's petition for rehearing and request for rehearing en banc, which are not reported, appear at App. A-16 to A-18, inclusive, infra,; the opinion of the District Court for the Central District of California is unreported, and appears at App. A-19 to A-37, inclusive, infra.

JURISDICTION

The judgment of the Court of Appeals (see App. A-1 to A-15) was originally filed and entered January 13, 1984. Petitioners filed a timely petition for rehearing and the order denying this petition (App. A-16) was filed and entered April 3, 1984. The mandate, having issued in error by the Clerk, was recalled by Order filed and entered April 23, 1984 pending disposition of Respondent-appellee's timely-filed

petition for rehearing and request for rehearing en banc. Respondent's petition and request was denied May 1, 1984. see App. A-18. This petition for certiorari was filed less than 90 days from the date aforesaid. The jurisdiction of this honorable Court rests on 28 U.S.C. Section 1254(1).

CONSTITUTIONAL PROVISIONS INVOLVED

Constitution of the United States, Article I, Section 8:

> "Section 8. The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Constitution of the United States, Amendment VII:

> "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of a trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to to the rules of common law."

STATEMENT OF THE FACTS

Petitioner Larsen conceived a novel and unique form of ladies' girdle which employed plastisol strips chemically formed in situ and imbedded in the inner aspects of the legs of the girdle which held up stockings without the use of garters. He formed a limited partnership, Garter-Bare Co., to exploit the invention. Garter-Bare entered several written agreements with Respondent Munsingwear, Inc.("Munsingwear") which envisioned cooperative research and development efforts of the parties, followed by an exclusive license in favor of Munsingwear for a limited period, followed by a joint licensing of the industry. A confidential relationship existed between Petitioners and Munsingwear before and after the contracts were entered into. Larsen applied for patents on two different versions ("double layer" and

"single layer") of his invention. After Munsingwear had obtained confidential trade secret information and know-how from Petitioners, including the actual machine Larsen invented to cause the elastomeric material to adhere to the girdle material, Munsingwear falsely represented to Petitioners that its market tests showed the product would not be successful, falsely represented that Munsingwear was abandoning the project, and purported to terminate the contract without going into the licensing phase. Without Petitioners' knowledge, Munsingwear had previously hired a girdle designer ("Cuozzi") to whom it furnished Petitioners' materials and concepts, and who worked with the technicians who had received the disclosures from Petitioners of the method of applying the plastisol and other trade secrets. Cuozzi, as a Munsingwear employee, then developed an identical

girdle, and with the cooperation of Munsingwear's patent attorney applied to the patent office for a patent, naming Munsingwear as assignee, without disclosing Munsingwear's knowledge of Petitioners' prior inventions, while concealing the true facts from Petitioners. This application resulted in the grant of a nearly identical patent ("the '944 patent") which was issued a year after Larsen's single layer patent ("the '748 patent"; App.A-38) was issued. While Larsen's application for the '748 patent was still pending, and before the Cuozzi '944 patent was even applied for, Munsingwear commenced advertising and selling girdles employing Petitioners' concepts, to which were annexed the words "patent pending", and proceeded to sell millions of dollars worth of these "Stocking Locking" garments.

Petitioners sued for damages for

common law fraud, damages for unfair competition and interference with prospective advantage, damages for wrongful appropriation of trade secrets, breach of contract damages, patent infringement and a declaration of validity of the '748 patent, and assignment to them of the Cuozzi '944 patent. While the case was pending, Munsingwear, without notice to either the Court or Petitioners, dedicated the Cuozzi '944 patent to the public. Shortly before the case was originally to go to trial, the Honorable Jesse Curtis, District Judge, granted Munsingwear's motion for summary judgment on all counts, which was reversed by the Ninth Circuit Court of Appeals in 1980 (Garter-Bare Co. v. Munsingwear, Inc. 650 F.2d 975). The matter then proceeded to a six-week jury trial, Judge Curtis presiding. On the patent counts, Petitioners requested specific verdicts on certain Graham v. John Deere, Inc. (383

U.S. 1, 17, 86 S,Ct. 684, 693-694, 15 L.Ed 2d, 556, (1966)) factual inquiries but the trial judge submitted only the ultimate questions of validity and infringement to the jury. The jury was properly instructed on all issues, including the law of patents.

The jury after several days' deliberations awarded Petitioners $15,000,000 damages plus $15,000,000 exemplary damages on their common law fraud count, and also awarded Petitioners $500,000 damages on the unfair competition count and $500,000 on the trade secrets count. The same jury rendered a verdict in Petitioners' favor on the patent issues, finding the '748 patent valid and infringed, awarding Petitioners a 7% patent royalty. The jury's finding of validity, and its implied findings for Petitioners on the Graham v. John Deere,Inc. factual

tests, were supported by substantial and sufficient evidence. The District Court disregarded the jury's finding of validity and decided as a matter of law that the Petitioners' patent was invalid because the invention was obvious to an ordinary person skilled in the pertinent art, and granted Respondent's motion for judgment notwithstanding the verdict ("JNOV") on all counts except the fraud count. All the grants of JNOV were backed up by alternative grants of new trial.

As to the fraud count, the District Court reexamined the jury's common law fraud verdict and granted a new trial on the fraud count on the issue of liability on the basis that the jury relied on the validity of the patent, which the Judge had found obvious as a matter of law, in returning its verdict for Petitioners on fraud. The only weighing of evidence in the fraud count undertaken by the District

Judge was on the issue of Statute of Limitations, as to which he concluded the jury's finding was against the great weight of the evidence. The District Judge also granted a new trial on fraud damages. Thereafter, the District Judge granted Respondent's motion for summary judgment on the fraud count on the basis of Statute of Limitations.

On appeal by Petitioners, the Ninth Circuit reversed the summary judgment on the fraud count on the basis that the Statute of Limitations had not run, and reversed the JNOV on the trade secrets and unfair competition counts.

On the patent issues, the Court of Appeals, without reviewing the factual issues determined by the jury and without making any independent review of the issue of nonobviousness, merely concluded that the record did not show the District Court's decision was clearly erroneous, and

affirmed the JNOV on the patent counts.

The Court of Appeals upheld the grant of a new trial on the fraud count liability, as well as damages, agreeing with the trial judge that the patent issue was "intertwined" with the fraud issue. Both sides petitioned for rehearing, and Munsingwear sought a rehearing en banc, all of which petitions were denied.

REASONS FOR GRANTING THE WRIT

Petitioners respectfullysubmit that this case, and issues raised in it, are of extreme importance dealing with difficult questions of law which should be reviewed and answered by this Court. This case, as finally decided, will affect every present and prospective inventor planning to seek or license a patent, in that it will determine whether his patent will receive the full protection of our judicial system, or whether the patent is actually a disadvantage because it deprives him of

equal protection of the laws, in that he cannot have a jury try and determine with binding effect any patent or non-patent issue in any lawsuit he might bring to enforce his rights.

This case has already achieved national and international attention. Petitioners believe it is a case of first impression as presented, although there are presently believed to be pending before this Court at least three other petitions approaching the patent-jury problem from different aspects. The decision, when rendered, will serve as a bellweather to establish if patentees can sue and recover for fraud, or whether their patents make them vulnerable to unredressed fraud and judicial fiat. The detailed reasons why Petitioners believe certiorari should issue are as follows:

1. THE DECISION BELOW, BY PERMITTING THE TRIAL JUDGE TO REEXAMINE THE FRAUD FACTS UNDER PATENT LAW STANDARDS RATHER THAN ACCORDING TO THE RULES OF COMMON LAW, RAISES SIGNIFICANT AND RECURRING PROBLEMS CONCERNING THE RIGHT TO A JURY TRIAL IN A SUIT FOR DAMAGES FOR COMMON LAW FRAUD, WHICH SUIT ALSO INVOLVES SEPARATE PATENT COUNTS.

Under the deliberate and unanimous findings of the jury following a six-week trial in this suit, Petitioners received a verdict for $15,000,000 on their count for common law fraud and deceit, to which the jury added $15,000,000 in punitive damages.

The evidence of fraud was for all intents and purposes uncontradicted. Petitioners produced scores of exhibits and testified at length and without contradiction showing the existence of a confidential relationship, the misrepresentations of Respondent and its officers made to Petitioners to induce various actions by them, the falsity of those representations, Respondent's knowledge of that falsity and its intent to

induce reliance, the Petitioners' reliance thereon, and the consequent damages. Respondent produced no evidence to contradict the fraud proof of Petitioners; in fact, Respondent called only two live witnesses, both unrelated experts having no knowledge of any facts pertaining to the fraud, who testified exclusively on patent issues.

Under a separate count in the same suit, Petitioners received a verdict that their patent was valid and infringed. Yet the District Court, after determining as a matter of law that the patent was invalid for obviousness, used this legal conclusion to overturn the jury's fraud verdict. In other words, using its perceived power to bar the jury from making factual determinations in order to find obviousness as a matter of law under Graham v. John Deere Co., the District Court invalidated

the patent and by boot-strap reasoning also invalidated the fraud verdict, granting a new trial on the issue of fraud liability. This was done without reexamining the fraud count facts in accordance with common law, which is required by the Seventh Amendment to the United States Consititution.

The Seventh Amendment to the United States Constitution clearly guarantees the right to trial by jury in civil cases and prohibits the court from reexamining any fact tried by a jury otherwise "than according to the rules of common law."

In the language of the District Court,

> "Plaintiff's claim of fraud was predicated to a large extent upon the validity of their patent and the misappropriation of their trade secrets." (App. A-29).

This statement finds no support in the record, and represents mere speculation on facts by the judge in a jury case. The District Court then proceeded to further expand its self-endowed fact-finding powers

by stating,

> "Having found in favor of plaintiffs on these two issues, the jurors no doubt relied to some extent on these findings in reaching their conclusion with respect to the issue of fraud." (App. A-29).

Again, this statement is totally unsupported, inasmuch as there were no special findings made respecting the fraud count on the issue of liability, and merely constitutes a judge's guess of what motivated a jury to reach a particular result. Moreover, the statement is contrary to the law. In a suit for fraud damages in which the validity of plaintiff's patent is also in issue, it is not a precondition to trying the fraud claim that the patent be first determined to be valid. Even a potentially invalid patent has value, and an unchallenged patent has significant economic value. Roberts v. Sears, Roebuck & Co., 573 F.2d 976, 981 (7th Cir. 1978; Lear v. Adkins, 395 U.S. 653, 669, 89 S.Ct.

1902, 23 L.Ed.2d 610 (1969).

The District Court then compounds its illogical position by stating (App. A-11):

> "Although there was some evidence upon which the jury could make such a finding separate and apart from any considerations of patent validity or trade secret misappropriation, it is impossible to tell the extent to which, if at all, the jury was influenced by the belief that the patent was valid and the trade secrets were misappropriated. Under these circumstances, it would appear that a new trial is necessary in order that a jury may determine the issues [sic] of fraud in its proper setting."

First, the above-quoted statement totally contradicts the earlier quoted statements of the District Court. If it is impossible, as the Court says, to tell to what extent, if at all, the jury was so influenced, then how could the District Court have concluded that "the jury no doubt relied to some extent on these findings?" Secondly, it is not the function of a judge, under the common law, to determine whether a jury's determination

of patent validity was correct or incorrect.

Patent law in this country had its genesis in Article I, Section 8 of the United States Constitution and is a creature of federal statute (35 United States Code 1, et seq.), and cases dealing with patent law are essentially, if not exclusively, matters within the province of the federal courts. The common law tests applicable here to determine whether the Court should grant a new trial of the fraud count were whether the evidence was insufficient to justify the verdict, or whether the verdict was against the law. The District Court made no such finding, and in fact acknowledged there was evidence to support the finding of liability for fraud. The District Court set up an impermissible additional test for upholding a fraud verdict, to-wit, the validity of a

patent alleged in another count of the complaint, and knocked down this straw man to provide a basis for throwing out the fraud verdict. Thirdly, the District Court for all practical purposes treated the jury's fraud verdict as advisory, just as it treated the jury's patent verdict. The District Judge overturned the fraud verdict in a manner other "than according to the rules of common law". This was an abuse of discretion.

Petitioners do not believe the power, if it exists, to treat a jury verdict in a patent infringement suit as merely advisory, entitles a Court to treat the jury's fraud verdict as advisory as well. If this were the case, then juries in all cases involving both patent and non-patent issues would become mere "advisers" whose findings the trial judge has the power to disregard, whose attentiveness and interest will be diminished by their

knowledge of their unimportant role, and whose facade serves only to give the litigant the false impression he is receiving due process.

While a trial court has broad discretion to grant a new trial, the authorities indicate that in order to protect the right to a jury trial, the trial judge has greater discretion in denying than in granting a new trial. (Lind v. Schenley Indus., 278 F.2d 79, 90 (2d Cir. 1960; See, Article, "Jury Subordination Through Judicial Control", 43 Law and Contemporary Problems 24, 48; See, 11 Wright & Miller, Federal Practice and Procedure, p. 125). These clear errors by the District Court amounted to an abuse of the trial court's discretion, and the order granting a new trial on the issue of fraud liability should have been reversed by the Court of Appeal.

The Court of Appeals did not reverse this abuse of discretion by the District Court, but instead approved the rationale of the District Court, stating:

> "...we have no difficulty in affirming the grant of a new trial as to damages. The closer question is whether a new trial is warranted on the issue of liability. The scale tips in favor of the district judge's evaluation of the interrelationship of the various claims and the potential impact on the fraud verdict of the jury's assumption that the Larsen '948 [sic] patent was valid." (App A-7, A-8).

The Court of Appeal thus overlooked a crucial difference between the role of the jury in finding facts supporting a verdict for common law fraud, and the role of the District Judge in making his own findings on the Graham factual tests to support his legal conclusion of obviousness. The Court's legal findings on the patent count should not be the basis for reexamining facts found by a jury in another count. A

judge has no independent power, in a fraud case where the jury's verdict is supported by the great weight of the credible evidence, to find on the ultimate issue as a matter of law, regardless of what the jury found. As was said by the Federal Circuit Court in Railroad Dynamics, Inc. v. A. Stucki Co., supra, at p. 1515: "...legal conclusions are not proved; facts are."

Thus, the Trial Court reexamined facts in a jury trial in a manner forbidden by the the Seventh Amendment to the Constitution, and the Court of Appeals approved such action, and by its action has deprived plaintiffs of the fruits of that verdict, and because of the costs of relitigation and the relative worth of the parties, may have effectively and permanently denied Petitioners any relief.

Petitioners respectfully urge that

the jury here, in rendering its general verdict on fraud, necessarily made findings, albeit unwritten, in favor of Petitioners on all the elements of a common law fraud cause of action; that validity of the '748 patent was and is not an element necessary to be proved before fraud liability can be found; that the jury's implied findings were supported in each case by substantial, sufficient, overwhelming and in most cases uncontradicted evidence; and that any legal conclusion by the jury on the issue of patent validity is irrelevant to the jury's finding of fraud.

For these reasons, Petitioners respectfully ask that this Court issue its writ of certiorari to review this case, in order to protect the sanctity of the jury system and to preserve Petitioners' constitutional rights.

2. THE DECISION BELOW RAISES SIGNFICANT AND RECURRING PROBLEMS REGARDING THE ROLE OF A JURY IN SUITS INVOLVING PATENTS.

The District Court was requested by Petitioners to furnish to the jury special verdicts calling for findings of fact on the factual tests laid down in Graham and the District Court refused to do so. Instead, the District Court submitted verdicts to the jury requesting them to find on the ultimate issues of patent validity and infringement, and the jury found in Petitioners' favor on both.

The District Court then disregarded the jury's verdict, finding obviousness as a matter of law, and entered JNOV for Respondent on the patent counts, citing the "three-part factual analysis to use in the determination of obviousness" under Graham, supra. The District Court thus supplanted the jury's fact-finding ability with its own. While there may be some justification

for the application of technical legal principles in a patent case, the factual aspects of the scope and content of the prior art, the difference between the prior art and the claims at issue, and the level of ordinary skill in the pertinent art should not require any greater standard or cerebration to resolve than should any other fact issues in the case. The jury heard the same expert testimony, saw the same objects, documents, charts and drawings, and observed the same witness demeanor as did the trial judge. The jury was certainly as competent as the trial judge to observe and assimilate the prior art, the claims at issue, the level of skill (and the secondary factors spelled out in Graham, which the District Judge ignored) as was the trial judge.

Logically, the question of whether an invention is obvious to an ordinary person skilled in the pertinent art is every bit

as much a fact issue for the jury as is the question of whether a doctor in a malpractice case exercised that degree of skill or care usual in the profession. If juries, as triers of fact, can properly measure a standard of professional care applicable at a particular time and locale for physicians, engineers, eye surgeons, anesthesiologists, attorneys, accountants, chiropodists, architects, nurses, and numerous other practitioners (See, 4 Witkin, Summary of California Law, 8th ed., pp. 2778-2784), there is no logical reason why the same jury, after proper instructions on the standard of ordinary skill in the art, cannot find as a factual matter whether a particular invention was, at a particular time, obvious to one skilled in that art. A jury which is competent to evaluate complex facts in an anti-trust case should not be any less

competent to apply the above tests to a girdle or any other object which they are perfectly capable of buying, using and understanding.

Nor was the case so complex as to be beyond the intellectual capacity of a jury to resolve. As was said by the Ninth Circuit in In re United States Financial Securities Litigation, 609 F.2d 411 [1979] (cert.den. 100 S.Ct. 1866 [1980]), at p.43:

> "Although judges are lawyers, they generally do not have any more training or understanding of computer technology" -- [the Court might as well here have said 'girdle manufacturing'] -- "and economics than the average juror. Whether a case involves computer technology, aircraft design, or accounting, attorneys must still educate the uninitiated about the matters presented in their case. While we express great confidence in the abilities of judges, no one has yet demonstrated how one judge can be superior fact-finder to the knowledge and experience six jurors bring to bear on a case. We do not accept the underlying premises of appellees' argument in 'that a single judge is brighter than jurors collectively functioning together."

Even if a District Judge, by virtue of

his having sat through several or even scores of patent cases, is more and better qualified than jurors to understand the nuances of patent law, the significance of data and the jargon of expert witnesses, the Constitution specifically requires that parties are entitled to have juries try fact questions.

The question then becomes: What role should a jury play in a patent suit in which the issue of obviousness is raised? Is their role merely advisory, as held by the Ninth Circuit in the decision below (Pet.App. 1, p. 6) and in its en banc decision in Sarkisian v. Winn-Proof Corp., 688 F.2d 647, 651 (1982)? Or, as held by the Fifth Circuit in Control Components, Inc. v. Valtek, Inc., 609 F.2d 763, 767-769 (1980), is the jury to make preliminary factual determinations on the scope and content of the prior art and on the

differences between the prior art and the claims at issue, leaving to the trial judge the determination as a matter of law whether the improvement would have been obvious to a person having ordinary skill in the art? Or, as held by the Federal Circuit in Perkin-Elmer Corporation v. Computervision Corporation, 732 F.2d 888 (Fed.Cir. 1984), should the jury's presumed findings on nonobviousness encompassed in its verdict of validity be upheld if supported by substantial evidence?

The efforts of various Circuits to establish detailed rules based on Graham during the past 18 years in some cases appear to border on sophistry. The problem is compounded by the tendency of appellate courts to give great deference to the trial judge on matters involving fact-finding, because the appellate court would be hard pressed to decide the Graham factual inquiries differently than did the trial

judge, who had the benefit of seeing all the exhibits, hearing the witnesses, observing their demeanor, determining their credibility, etc. But that is exactly what juries are impanelled to do. The problem becomes constitutional, and one requiring the supervision of this Court, when the law of the Circuit encourages District Judges to utterly disregard the jury's actual and presumed findings based on substantial evidence by decreeing that jury verdicts are "advisory only."

In the present case, the District Judge, after launching his assault on Petitioners' patent with the premise that Petitioners "have the burden of proving nonobviousness" and dispatching the presumption of validity by disregarding the jury's presumed finding of differences between the prior art and the claims at issue, concluded that "the invention is

obvious, for in its creation Larsen has not produced anything beyond the ordinary skill in the art."[1/]

Since the rule of law in the Ninth Circuit is that the jury's verdict is merely advisory, the District Judge followed that law, determined the issue of obviousness independently of the jury's verdict and was upheld by the Ninth Circuit

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1/ To reach this conclusion required the trial judge to disregard several days of testimony from Petitioner Larsen; Respondent's own literature announcing "a revolutionary new concept in girdles"; the testimony of Respondent's Vice President that he had a "positive glow" about Larsen's adhesive agent (none of the prior art relied on by the trial judge used adhesives); the testimony and memoranda of Respondent's chief engineer Thistlethwaite showing how he tried other variables than Larsen's invention but how he eventually came back to it; the testimony by Respondent's Hughes about the state of the art when Respondent started research and development of the Larsen invention; the testimony of Petitioners' materials expert, Dr. Barsh, that "...to go through — well, the rigamarole, the steps necessary to develop the fabric, heat set it instantly, almost like the opposite of quick frozen, on the fabric, without damaging the fabric but hot enough to — well, put a degree of permanency on that plastisol. That was important so it wouldn't ever subsequently get gummy, gooey, run or whatever. It had to be dry to the touch, but it had to be soft to the body and it had to have the adhesive characteristics, and totally unknown to us."

Court of Appeals. The District Judge did the very thing which was so roundly condemned by the Federal Circuit in Perkin-Elmer, supra, in that he chose

> "...to totally ignore the rules applicable to jury trials in non-patent cases, or to proceed as though the jury had never been impanelled, had never been instructed on the issue, had never considered the issue, and had never rendered a verdict based on its conclusion."

The same Federal Circuit decision strongly criticizes the Ninth Circuit's characterization of the jury's role on nonobviousness as "advisory", stating in a footnote, at 732 F.2d 895:

> "The view suggested in Sarkisian, that a jury verdict on nonobviousness is at best advisory, would make charades of motions for directed verdict of JNOV under Fed.R.Civ.P. 50 in patent cases. Those motions only apply to binding jury verdicts. See 9 Wright and Miller, Federal Practice and Procedure Sec. 2523 (1982).
>
> "Moreover, use of any advisory jury is limited to actions not triable of right by a jury, Rule 39(c), Fed.R.Civ.P., and Rule 52(a), Fed.R.Civ.P., requires the court to

enter its own set for findings and conclusions just as it must do when sitting without a jury. That requirement, and the reluctance to take days or weeks of jurypersons' lives for service as mere advisors, appear to account for the virtual universal use of advisory juries.

"Moreover, the notion that patent cases are somehow outside the mainstream of the law, and that special, judge-designed rules not applicable to other types of jury trials must be applied when a "patent case" is tried before a jury, finds no support in the statute, in the Federal Rules of Civil Procedure, or in the Seventh Amendment to the Constitution."

As was stated by the same Federal Circuit Court of Appeals in Connell v. Sears, Roebuck & Co., 722 F.2d 1542 (Fed.Cir. 1984), at page 1546:

"Jury verdicts must be treated with great deference. The Seventh Amendment of the Constitution preserves the right to Trial by jury in suits at common law and also provided that the United States Courts shall not re-examine facts tried by the jury except under the rules of common law. With the merger of law and equity, denial of the right in certain types of cases ceased. Permitting the jury to draw legal conclusions based on the jury's fact findings and reached in light of instructions on the law has been

preserved as part of the right. The Court, though it remains ultimately responsible for upholding the law applicable to the facts found, cannot substitute its view for that of the jury when to do so would be an effective denial of the right to Trial by jury."

In another case, the same Federal Circuit Court of Appeals stated:

"When and if Rules 49, 50, and 51, Fed.R.Civ.P., are repealed, there may be room for the restrictions of juries to a fact finding role and for prohibition of general verdicts in patent and other types of jury trials. Until that day, a prohibition of general verdicts (and disregard of the findings and legal conclusions of a jury must make in reaching those verdicts) cannot be accomplished by judicial fiat.

"There is, of course, no reason for considering patent cases as somehow out of the mainstream of the law and rules of procedure applicable to jury trial for centuries under our jurisprudence. Until waiver of jury trials was permitted by the Act of March 3, 1865, ch. 86, Sec.4, 13 Stat. 501, all cases at law were tried by juries. The comparatively recent resurfacing of jury trials in patent cases, though productive of discomfort for some judges and commentators, may or may not be wise or welcome; it forms no basis for creation of special and unauthorized rules, or for the consequent risk of effectively denying the constitutional right spelled out in the first clause of the Seventh Amendment." Railroad Dynamics, Inc. v. A. Stucki Co.,

727 F.2d 1506, 1514-1515 (Fed.Cir. 1984).

On the important and recurring issue of the role of a jury in cases involving patents, there is a clear inconsistency between the position of the Ninth Circuit (which affirmed the JNOV granted by the District Judge who disregarded the jury's general verdict and presumed findings and decreed the Petitioners' invention obvious as a matter of law), and the position of the Federal Circuit, the Fifth Circuit and other circuits. Both views claim to find support in Graham v. John Deere, Inc.. In today's world of instant communication, rapid duplication of data and mass marketing by powerful organizations, where unprotected inventions are quickly copied by rapacious emulators, both foreign and domestic, the loss of the hard-earned Constitutional right to a jury trial in patent cases can have a chilling effect on

invention, creativity and enterprise. Obviously, the time has come for this Court to resolve these conflicting views, define with precision the role that juries are supposed to play in patent cases involving the issue of nonobviousness, and to resolve the constitutional question of the right to a jury trial in patent cases. Petitioners respectfully urge that this Court should clear up the uncertainties inherent in Graham's progeny, not just to reinstate the jury's determination of validity in the instant case, but for the sake of the American economy in general.

3. THE DECISION BELOW OF THE COURT OF APPEALS FOR THE NINTH CIRCUIT CONFLICTS WITH THE DECISIONS OF THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT WHICH ARE SUBSTANTIALLY INDISTINGUISHABLE.

As shown in the discussion of Perkin-Elmer and Connell, supra, in the preceding topic, there exists a strong disagreement between the Federal Circuit and the Ninth Circuit Courts of Appeals over the role of juries in patent cases involving the issue of nonobviousness. This conflict extends to decisions of the Federal Circuit involving a number of other issues which are substantially indistinguishable from the case at bar.

a. Standard of Review; JNOV.

In Railroad Dynamics, Inc. v. A. Stucki Co., 727 F.2d 1506 (Fed.Cir. 1984) the Federal Circuit had before it a case where the jury by the equivalent of a general verdict in favor of the patent owner found the patent valid and infringed.

There, as here, the infringer moved for JNOV. Unlike the present case, however, the trial judge carefully and exhaustively reviewed all the evidence and denied the post-trial motions and upheld the multimillion dollar verdict. On appeal, the Federal Circuit enunciated the requirements imposed on the trial judge in ruling on JNOV motions following a verdict for the patent owner. The Federal Circuit Court said that the test of whether "there was substantial evidence to support the verdict" did not mean that the District Judge, in considering a motion for JNOV attacking validity, must determine only whether the patent owner had introduced sufficiently substantial evidence to support that conclusion, since that approach would, contrary to 35 U.S.C. Section 282, shift to the patent owner the burden of proving facts establishing

validity. The Court stated (p. 1511) that it was only if the patent challenger's

> "evidence be such as to have so withstood the patent owner's rebuttal evidence that reasonable jurors could not have concluded that the patent is valid, the motion should be granted. If the patent challenger's evidence fails that test, the motion should be denied."

In the instant case, the District Judge made no such review of the evidence, but concluded that certain prior art not cited by the Patent Examiner (Anthon patent and Kleindienst patent) was the most pertinent, and on that basis disposed of the presumption of validity. This conclusion was reached despite substantial and sufficient rebuttal evidence that such art was no more than cumulative in that much more detailed art, which had been found by the Patent Examiner to be pertinent but not anticipatory, showed everything taught by the art relied on by the District Judge. Such cumulative art does not constitute the

"clear and convincing evidence" required by 35 U.S.C. 282 to overcome the presumption of validity. Also, the District Judge in the instant case disregarded the difficulties that even Respondent encountered in struggling to produce a reliable single layer garment (including over three years of experimentation after having the benefit of Petitioners' know-how, experimental machine and concept). Further, the District Judge, using hindsight, improperly combined parts from one patent with parts of another, disregarding the patents' actual teaching. The District Court, in overturning the jury verdict, did not compare the Anthon patent to any prior art of record but just adopted as a fact that Anthon was the most pertinent art; the District Court did not determine the level of skill in the pertinent art in 1963 and did not properly consider the differences between the Larsen invention and the prior

art but merely gave lip service to the Graham v. John Deere, Inc., standard.

The Ninth Circuit, rather than independently reviewing the ultimate question of obviousness, tersely upheld the District Court by stating, "We cannot say on this record that the district judge's conclusions were clearly erroneous." (723 F.2d at 711). In so doing, the Ninth Circuit acted in clear conflict not only with the rule enunciated by the Federal Circuit in Railroad Dynamics, Inc. v. A. Stucki Co., supra. but in direct conflict with its own prior rulings in Sarkisian, supra (to the effect that the appellate court should make an independent review on the issue of nonobviousness), and Fabrica Inc. v. El Dorado Corp., 697 F.21d 890 (9th Cir., 1980) (to the effect that the District Court's JNOV could only be upheld if, examining the evidence in the light most favorable to the party receiving the

verdict, there was no substantial evidence below to support the jury's verdict).

b. Burden of Proof.

The District Court's ruling, affirmed by the Ninth Circuit, placing the burden of proof of nonobviousness on Petitioners, is contrary to the Federal Circuit decision which places not only the procedural burden, but the burden of persuasion, on the party seeking to invalidate the patent. Stratoflex, Inc. v. Aeroquip Corporation, 713 F.2d 1530 (Fed.Cir. 1983). There it was held

> "Introduction of more pertinent prior art than considered by the examiner does not, therefore, 'weaken' or 'destroy' the presumption. Nor does such introduction 'shift' the basic burden of persuasion."

c. "Combination" patents.

The District Court's ruling, affirmed by the Ninth Circuit in the decision below, that a combination of old elements is patentable only when it produces a new and

surprising result is in conflict with Federal Circuit set forth in Medtronics, Inc. v. Cardiac Pacemakers, Inc., 714 F.2d 1543 (Fed. Cir. 1983):

> "There is neither a statutory distinction between 'combination patents" and some other, never defined type of patent, nor a reason to treat the conditions of patentability different with respect to 'combination patents.'

d. Graham factual tests.

The District Court and the Ninth Circuit in the decision below both recited the "three" Graham inquiries without any specific findings with respect to any of the three. The Federal Circuit, in reviewing a District Court's findings in Connell v. Sears, Roebuck & Co., 722 F.2d 1542 (Fed. Cir. 1984) at 1549 said:

> "The opinion says that when the THREE factual inquiries listed in Graham, supra, have been answered, the objective evidence of nonobviousness need not be considered. That approach ignores Graham's reference to a FOURTH inquiry, namely an inquiry into whatever objective evidence of nonobviousness (called "secondary considerations" and

"indicia" in Graham) may appear in the record. It is inappropriate and injudicious to disregard any admissible evidence in any judicial proceedings. Hence, all relevant evidence on the obviousness issue must be considered before a conclusion is reached. Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530 (Fed.Cir. 1983)."

In the case at bar, Petitioners pleaded with both the District Judge and the Ninth Circuit Court of Appeals to consider nonobviousness based upon the extensive evidence of the long felt need, commercial success, and other secondary considerations which dotted the trial record. Nonetheless, both the District Judge and the Ninth Circuit not only scrupulously avoided mentioning this evidence,[2/] but avoided even

2/ Such uncontradicted evidence of long-felt need included the following: The letter of Munsingwear's retired Board Chairman Humphrey that Larsen's concept "will offer the corset industry something that hasn't been offered since the introduction of nylon or spandex"; Munsingwear's Vice-President Hughes in charge of Women's Wear requested a license agreement with Petitioners within 24 hours after first seeing a sample of the Larsen garmet with its adhering feature; when Munsingwear introduced its copy, it guaranteed the product would really hold up ladies' stockings, yet it did not guarantee its gartered garments would do so.

mentioning the subject of the fourth Graham test. This alone should constitute error on the part of both courts. As was stated by the Federal Circuit in the recent case of Jones v. Hardy, 727 F.2d 1524 (Fed.Cir. 1984) at p.1531:

> "Jones introduced evidence of long-felt need and commercial success. Hardy's admitted infringement constitutes some evidence of the merits of the claimed invention over the prior art praised but avoided by Hardy. The objective indicia evidence in the record not having been mentioned,

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2/ (continued)
Such uncontradicted evidence of commercial success included the following: Munsingwear's coining the new name "Stocking Locking", with considerable advertising fanfare, to accompany its version of the Petitioner's garment; introduction by Sears, Roebuck & Co. of its version of an adhering garment shortly after Munsingwear's "Stocking Locking" garment was introduced (Sears had previously made a garment [Burke patent, 1962] which used stitched rubber bands as the friction element); virtually every other ladies undergarment manufacturer brought out their own version incorporating the Larsen design after seeing the Munsingwear "Stocking Locking" girdle; Munsingwear was still advertising "Stocking Locking" girdles in its catalogs 12 years after their introduction, and after the advent of pantyhose; failure of Respondent to produce at trial a sample of any of the alleged prior art girdles, while Petitioners produced dozens of direct infringements by other manufacturers which occurred only after the "Stocking Locking" garment was introduced.

we must assume that it was not considered before the legal conclusion of obviousness was reached. That was error." (Emphasis supplied.)

The Jones v. Hardy case could hardly be closer to the case below. There, as here, the inventor devised his concept in 1963; his invention involved the curing of materials, among other things; he obtained more than one patent; his patents contained several claims; no known prior art satisfied the needs filled by the inventions; the claimed inventions were not obvious to the defendant; after learning of the invention, defendant sought to distribute the product, then copied the patented inventions; the inventor sued for infringement in the early 1970's, and District Judge Jesse Curtis granted defendant's motion for summary judgment; the Ninth Circuit reversed the summary judgment and remanded the case for trial, at which the issue was whether the claims

were invalid for obviousness. District Judge Curtis after trial determined the patents were invalid because Jones claimed "an inherent quality of a product long in use"; in so ruling, Judge Curtis made no mention of the Graham secondary considerations; on appeal the Court noted the litigation had consumed over 10 years; there was no issue of credibility; the evidence was not conflicting; the parties had had an ample opportunity to construct and had constructed a record. In addition, there were numerous other similarities with the case at bar. In reversing the judgment of the District Court, the Court said (at p. 1531):

> "Hardy, who admitted infringement and on whom rests the burden of establishing invalidity, has had two full and fair opportunities to do so. He has presumably submitted all evidence available to him. At the same time, Jones, who bore no burden on anticipation or obviousness, has undergone a summary judgment proceeding, a full trial, and two appeals. It can in this

instance be truly said: enough is enough.

> "Our study of the record convinces us that Hardy failed to carry the burden of establishing that the claimed inventions in suit would have been obvious at the time those inventions were made. In the interest of judicial economy, and to avoid what would be an unnecessary retrial burden on the witnesses, the parties and the district court, we reverse the judgment that claimed inventions would have been obvious."

It is respectfully suggested that the foregoing differences between the law of the Ninth Circuit and the law of the Federal Circuit justify this Court in granting certiorari in order to reconcile these conflicts and eliminate the confusion created by the decisional law of the Ninth Circuit.

4. THE DECISION BELOW HAS SO FAR DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS, AND HAS SO FAR SANCTIONED SUCH A DEPARTURE BY THE TRIAL COURT, AS TO CALL FOR AN EXERCISE OF THIS COURT'S POWER OF SUPERVISION.

By affirming the JNOV granted by the District Judge on the patent counts, rather reversing completely or even just reversing the JNOV and letting the alternative new trial order on the patent counts stand, the decision below denied Petitioners the right to have a jury try their patent case. By only reversing the JNOV on the fraud and other tort claims and leaving the alternative new trial orders to stand, the decision below forced the Petitioners into another round of what is becoming endless litigation. By giving 35 U.S.C. 103 and Graham an unwarranted construction so that patents may be invalidated for obviousness by a trial judge regardless of what the jury found or the evidence showed, the decision below has modified the law enacted

by Congress and interpreted by the Supreme Court. By thus denying Petitioners due process and sanctioning the District Judge's errors, the decision below has sharply departed from the accepted and usual course of judicial proceedings.

Perhaps because the panel deciding the case below was confronted with its own en banc precedent in Sarkisian, which it may have recognized as a departure from the law of other circuits, the decision below strongly suggested the termination of this litigation by settlement. (App. A-10). Indeed, the decision below in this 12-year old lawsuit, which has attracted international attention, not only casts a pall over the status of U.S. patents in general but emphasizes the insignificance of a jury in the face of a determined trial judge and calls into question the proper functioning of the federal judiciary.

The Federal Circuit in Jones v. Hardy, supra, stated (at 727 F.2d 1530) in reversing this same District Judge:

> "Judges are not constitutionally empowered to legislate their individual subjective views respecting the degrees of inventiveness, a distinct approach from that of determining validity on the basis of the evidence and the procedural rules. What is required to uphold the validity of a patent challenged under Section 103 is what Congress in Sections 103 and 282 has said is required, . . ."

This Court said essentially the same thing within the past week in admonishing the judiciary against acting on "personal policy preferences." This Court stated, in ruling 6-0 that a Washington, D.C. appellate court erred in overturning a set of EPA pollution regulations, "Federal judges -- who have no constituency -- have a duty to respect legitimate policy choices made by those who do."

Petitioners respectfully suggest that this case is one calling for the Supreme

Court's powers of supervision. This Court in the past has accepted cases on petitions for certiorari which involve factual issues concerning the validity and infringement of patents (Graham v. John Deere, Inc., supra); where this Court doubts the correctness of the decision below (Schriber-Schroth Co. v. Cleveland Trust Co., 305 U.S. 47, 50, 59 S.Ct. 8, 10, 83 L.Ed.2d 34 (1938) and cases cited); and where the Court of Appeals failed to bring proper statutory and legal considerations to bear upon the issues of validity or infringement (Sakraida v. Ag Pro, Inc. 425 U. S.273, 96 S.Ct. 1532, 47 L.Ed.2d 784 (1976)).

But more importantly, on this Court rests the prime responsibility for the proper functioning of the federal judiciary. This case involves, among other things, the construction of Rules 50(c) and 59, Fed.R.Civ.P., in that the decision below affirmed an abuse of discretion by

the trial court (See, 11 Wright & Miller, Federal Practice and Procedure,p. 125) and the construction of Rule 50(b) Fed.R.Civ.P., in that the decision below upheld a JNOV granted in the face of substantial and sufficient evidence supporting the verdict. See, 9 Wright & Miller, Federal Practice and Procedure, Sections 2524-2529.

The case also involves the resolution of a trial court judgment which, but for a matter of unfortunate timing from the Petitioners' standpoint, would have been appealed to the newly-created Federal Circuit, where the result would have undoubtedly been much different. Faced with markedly different standards of patentability in the various circuits, Congress saw fit to establish the Court of Appeals for the Federal Circuit with exclusive jurisdiction of patent cases

arising under 28 U.S.C. Section 1338(a), under which this case arose. The effective date for the Court of Appeals for the Federal Circuit to assume exclusive jurisdiction of these matters was October 1, 1982, shortly after this case was ap ealed to the Ninth Circuit, so jurisdiction remained transitionally with the Ninth Circuit.

Since establishment, the Court of Appeals for the Federal Circuit has sought in its opinions to clarify and overturn incorrect doctrines of patent law which have grown up in the various circuits. In the opinions issued to date, the Federal Circuit has held that the basic doctrines under which the District Court in the case at bar rendered its JNOV are faulty and not the true state of the law. Although the Ninth Circuit was not bound by decisions of the Federal Circuit, to follow overturned patent doctrines in the face of Federal

Circuit decisions renders injustice to the Petitioners, unintentional but still real and irreparable.

This Court can remedy this situation by making its independent determination of the law of this case consistent with the Federal Circuit's recent pronouncements and return the patent for retrial with the fraud issues under the standards set by this Court and by the Federal Circuit. This is particularly necessary in view of the District Court's and the Ninth Circuit Court of Appeals' concern that the fraud and patent issues are so intertwined. The issues, if intertwined at all, are intertwined from Petitioners' standpoint as well as the Respondent's. The Petitioners should not have their patent invalidated on application of improper standards and then have to try the intertwined fraud issues without benefit of their patent. If

perchance this case cannot be settled as desired by the Court, then the Federal Circuit Court of Appeals can review the patent and related issues under the uniform standard applied by that Court.

5. THE COURT OF APPEALS FOR THE NINTH CIRCUIT HAS DECIDED A FEDERAL QUESTION IN A WAY IN CONFLICT WITH APPLICABLE DECISIONS OF THIS COURT.

A significant departure from this Court's decision governing the role and function of a jury in a patent case is found in the Ninth Circuit's holding that the jury's patent verdict was advisory only.

This Court in Beacon Theatres, Inc v. Westover, 359 U.S. 500, 504, 79 S.Ct.948, 953, 3 L.Ed.2d 988 (1959) and in Dairy Queen, Inc. v. Wood, 369 U.S. 469, 479, 82 S.Ct. 894, 900, 8 L.Ed.2d 44 (1962) made it clear that a jury is required in patent cases much more than had previously been

believed. The former theory that patent infringement suits were basically for accounting, thus "equitable" in nature and hence not triable by juries, was abandoned in view of the liberal joinder rules of Federal pleading. Nonetheless, some lower courts have clung to the position that a jury cannot ultimately decide any patent question, and have used procedural levers to move control of the outcome of the case away from juries. In the case below, the fulcrum for that lever was located in the lower courts' interpretation of Graham's reservation of the ultimate issue of obviousness as a question of law.

The same the Ninth Circuit, in Sarkisian, supra, at 688 F.2d 651, took pains to point out that

> "In determining nonobviousness in all patent litigation, the trial court in a jury trial must submit to the jury determination of (i) the nature of the prior art, (ii) the differences between the prior ar and the patented device, and (iii) the ordinary level

of skill in the pertinent art."

Unfortunately, the en banc court in Sarkisian went on to state that the District Judge "may submit the ultimate fact of obviousness to the jury for a non-binding advisory opinion." The decision below built upon this concept to state that

> "The district judge granted judgment n.o.v. on the ground of the obviousness of the '748 patent, accepting the jury verdict as advisory only, and as was his right exercised the duty to determine the issue of obviousness as a matter of law."

Nothing in Graham suggests that the jury can be relegated to an advisory role. The Ninth Circuit's position in the decision below disregards the teachings of Beacon Theatres and Dairy Queen, and if not in direct conflict with Graham, at the very least misconceives, misapplies and misconstrues Graham. Such an apparent conflict, where the decision below seems to be out of line with the authorities, provides independent grounds for this

Court's exercise of its jurisdiction to grant certiorari. Braen v. Pfeifer Transportation Co., 362 U.S. 129, 130, 80 S.Ct. 247, 248, 4 L.Ed.2d 191, 193 (1959).

CONCLUSION

For the reasons stated, a writ of certiorari should issue to review the judgment and opinion of the Ninth Circuit.

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